Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

General Information

Legal form of entity	The entity functions as a local municipality, established under paragraph 151 of the Constitution of the Republic of South Africa.
Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998). The Municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003 - Municipal Structure Act 117 of 1998 - Municipal Systems Act 32 of 2000 and various other acts and regulations.
The following is included in the scope of operation	The following principal activities of the municipality are:
	- Provide democratic activities and accountable government
	- Ensure sustainable service delivery to communities
	- Provide social and economic development
	- Provide basic service to the community
Mayoral committee	
Executive Mayor	NH SKELENGE
Speaker	MZ MNQWAZI
Chief Whip	Z MKIVA
Exco Councillors	N LAYITI
	ME NTSHONGA
	Z SIYO
	L MGANDELA
	N SHELENI
	T NKAMISA
	NR TSHONA
	TP NTANGA
	NP DUBE
	C MTSI
	N JIYA
Councillors	N LUSIZI
	TH MPETA
	NM MPAMBANI
	N NTOLOSI
	N THANDAPHI
	Z SOBEKWA
	SL MAFANYA
	N MONAKALI
	NN NQOLOMLILO
	AA KRAKRI
	LS SOBEKWA
	GN NOMBILA
	B KAVE
	ZC MFAZWE
	TZ XHONGWANA S
	G GUQAZA
	N LUSIZI
	NH KENDLE
	T NTYINKALA

General Information

	KG MAGWACA
	NG NDONGENI
	M MKHILILI
	L TSIPA
	M NDUNGANE
	M MXHOKO
	SN TSHAZI
	WW MBADLANYANA
	XI PUPUMA
	WM NTONGANA
	Z BOMELA
	Z GADE
	ZA MQOLO
	ML MTALO
	Z MNQOKOYI
	N PLAATJIE
	T BIKITSHA
	NL ZABA
	NQ SUKWANA
	Y MNGONYAMA
	SM MOLOSI
	S MATUTU
	S NCETEZO
	NR TSHONA
	L MBENTSULA
	S LILISE
	TC NKUTU
	AB MADIKANE
	V NKEHLE
	T MAKELENI
TRADITIONAL LEADERS TO PARTICIPATE IN MNQUMA MUNCIPALITY COUNCIL	P NGUZA
	BL NTLEKI
	VL MBASA
	WM MAHLANGENI
	NS NGXIYA
	ZM DYANTYI
	M MAGODLA
	N NYHILA
	D MPANGELE
	BB VUSO
	M NGUZA
	NVG DONDASHE

Grading of local authority	Medium Capacity Municipality
Accounting Officer	S Mahlasela
Chief Financial Office (CFO)	M Matomane

General Information

Registered Office	Corner King and Umtata Street Butterworth 4960
Postal address	P.O. Box 36 Butterworth 4960
Bankers	First National Bank
Auditors	Auditor General Registered Auditors
Preparer	The were internally compiled by: M Matomane
Published	30 November 2018
Telephone	(047) 401 2400
Email address	mmatomane@mnquma.go.za
Jurisdiction	Mnquma Local Municipality is located in the south-eastern part of the Eastern Cape province. This Category B Municipality falls under the jurisdiction of the Amathole District Municipality and comprises an amalgamation of the former Butterworth, Ngqamakhwe (previously Ngqamakwe) and Centane Transitional Regional Councils. Mnquma Local Municipality shares borders with three other local municipalities: Mbhashe, Intsika Yethu and Great Kei. It also includes a number of previously administered rural areas.

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The reports and statements set out below comprise the presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (No 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The municipality is wholly dependent on the Department of Local Government and Traditional Affairs for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Department of Local Government and Traditional Affairs has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's .

The set out on pages 6 to 73, which have been prepared on the going concern basis, were approved by the on 31 August 2018 and were signed on its behalf by:

S. Mahlasela
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2018.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year two meetings were held.

Audit committee responsibility

The audit committee reports that it has not complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and could not discharge all its responsibilities as contained therein. There was no oversight on the functions of the municipality for the entire financial year as no meetings (quarterly) were held and there was no Internal Audit function. The Audit Committee only reviewed the previous year's Annual Report and discussed the Management Letter with the AGSA. Although the Municipality had a Risk Management unit and a Risk committee Chairperson the function also was not fully functional during the year under review

The effectiveness of internal control

Evaluation of

- reviewed and discussed the unaudited Annual Financial Statements ;
- reviewed the annual report;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed changes in accounting policies and practices

Internal audit

There was no Internal Audit function in the municipality in the entire financial year and therefore audit committee cannot confirm that the risks pertinent to the municipality and its have been addressed through their audits.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	2	4,898,141	5,634,095
Receivables from non-exchange transactions	4	5,376,736	5,725,029
VAT receivable	5	13,966,159	6,978,448
Receivables from exchange transactions	3	4,663,481	1,793,054
Cash and cash equivalents	6	27,681,944	10,206,746
		56,586,461	**30,337,372**
Non-Current Assets			
Investment property	7	418,950,611	418,950,611
Property, plant and equipment	8	1,537,238,863	1,573,320,670
		1,956,189,474	**1,992,271,281**
Total Assets		**2,012,775,935**	**2,022,608,653**
Liabilities			
Current Liabilities			
Finance lease obligation	9	-	94,730
Payables from exchange transactions	10	70,875,858	61,317,648
Payables from non-exchange	11	1,960,274	2,456,830
Employee benefit obligation	48	1,571,418	2,799,000
Unspent conditional grants and receipts	12	26,829,081	9,483,213
Provisions	14	-	652,754
		101,236,631	**76,804,175**
Non-Current Liabilities			
Employee benefit obligation	48	9,691,251	8,171,000
Total Liabilities		**110,927,882**	**84,975,175**
Net Assets		**1,901,848,053**	**1,937,633,478**
Reserves			
Revaluation reserve	13	932,386,160	941,095,737
Accumulated surplus		969,461,893	996,537,741
Total Net Assets		**1,901,848,053**	**1,937,633,478**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	4,633,065	4,163,212
Rental income	16	2,593,811	2,459,832
Interest on outstanding debtors	17	7,994,116	6,775,025
Agency services	18	3,204,571	3,204,814
Licences and permits	21	888,669	920,579
Administration and management fees received		371,829	135,901
Fees earned		82,024	52,525
Commissions received		2,540	3,309
Royalties received		80,844	112,758
Rental income		185,521	144,051
Discount received		127,255	160,492
Recoveries		90,146	49,587
Other income 1		26,293	400
Other income	19	6,406	16,588
Interest received - investment	20	3,585,521	3,817,824
Gain on disposal of assets and liabilities		17,656,870	11,355,887
Gain on biological assets and agricultural produce		2,506,331	-
Total revenue from exchange transactions		**44,035,812**	**33,372,784**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	20,259,404	18,842,130
Transfer revenue			
Government grants & subsidies	23	259,640,453	287,454,558
Traffic fines		4,658,905	329,400
Total revenue from non-exchange transactions		**284,558,762**	**306,626,088**
Total revenue	24	**328,594,574**	**339,998,872**
Expenditure			
Employee related costs	25	(183,695,433)	(174,878,292)
Remuneration of councillors	25	(25,890,954)	(22,682,353)
Debt Collection costs		-	(306,628)
Depreciation and amortisation		(47,161,688)	(55,916,882)
Impairment loss	27	(14,837,826)	-
Finance costs	26	(2,008,833)	(974,787)
Debt Impairment	28	(22,604,487)	(19,251,017)
Bad debts written off	28	-	-
Bulk purchases		(3,804,310)	(9,526,394)
Grants and subsidies expenditure		(9,735,545)	(5,368,240)
Loss on biological assets and agricultural produce		-	(417,397)
General expenses	30	(52,031,022)	(79,330,762)
Total expenditure		**(361,770,098)**	**(368,652,752)**
Deficit for the year		**(33,175,524)**	**(28,653,880)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2016	**960,960,735**	**1,025,191,621**	**1,986,152,356**
Realisation of revaluation surplus	(1,147,751)	-	(1,147,751)
Net income (losses) recognised directly in net assets	(1,147,751)	-	(1,147,751)
Surplus (Deficit) for the year	-	(28,653,880)	(28,653,880)
Total changes	(1,147,751)	(28,653,880)	(29,801,631)
Restated* Balance at 01 July 2017	**941,095,737**	**996,537,741**	**1,937,633,478**
Changes in net assets			
Surplus (Deficit) for the year	-	(33,175,524)	(33,175,524)
Total changes	-	(33,175,524)	(33,175,524)
Balance at 30 June 2018	**932,386,160**	**963,362,217**	**1,895,748,377**

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		73,204,621	50,729,896
Grants		259,640,453	287,454,558
Interest income		3,585,521	3,817,824
		336,430,595	342,002,278
Payments			
Employee costs		(183,695,433)	(166,636,860)
Suppliers		(75,638,927)	(75,866,947)
Finance costs		(2,008,833)	(974,787)
Other cash item		(40,908,632)	(14,732,685)
		(302,251,825)	(258,211,279)
Net cash flows from operating activities	32	**34,178,770**	**83,790,999**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(19,023,280)	(100,539,950)
Proceeds from sale of property, plant and equipment		200,635	-
Movement in investments (incl. Controlled entities, JVs & Assoc)		-	3,336,666
Proceeds from sale of biological assets that form part of an agricultural activity		2,506,331	(417,397)
Net cash flows from investing activities		**(16,316,314)**	**(97,620,681)**
Cash flows from financing activities			
Movement in employee benefit obligation		-	2,381,000
Finance lease payments		(387,258)	(387,258)
Net cash flows from financing activities		**(387,258)**	**1,993,742**
Net increase/(decrease) in cash and cash equivalents		**17,475,198**	**(11,835,940)**
Cash and cash equivalents at the beginning of the year		10,206,746	22,042,686
Cash and cash equivalents at the end of the year	6	**27,681,944**	**10,206,746**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4,100,000	-	**4,100,000**	4,633,065	**533,065**	
Rental of facilities and equipment	3,203,000	-	**3,203,000**	2,593,811	**(609,189)**	
Interest received received from debtors	5,383,000	-	**5,383,000**	7,994,116	**2,611,116**	46.1
Agency services	3,900,000	-	**3,900,000**	3,204,571	**(695,429)**	46.2
Licences and permits	1,015,000	-	**1,015,000**	888,669	**(126,331)**	46.3
Administration and management fees received	1,200,000	(500,000)	**700,000**	371,829	**(328,171)**	
Fees earned	-	-	**-**	82,024	**82,024**	
Commissions received	-	-	**-**	2,540	**2,540**	
Royalties received	-	-	**-**	80,844	**80,844**	
Rental income	-	-	**-**	185,521	**185,521**	
Discount received	-	-	**-**	127,255	**127,255**	
Recoveries	-	-	**-**	90,146	**90,146**	
Other income 1	-	-	**-**	26,293	**26,293**	
Other income	-	-	**-**	6,406	**6,406**	46.4
Interest received - investment	5,661,000	-	**5,661,000**	3,585,521	**(2,075,479)**	46.5
Total revenue from exchange transactions	**24,462,000**	**(500,000)**	**23,962,000**	**23,872,611**	**(89,389)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	-	-	**-**	20,259,404	**20,259,404**	46.6
Transfer revenue						
Government grants & subsidies	231,062,000	(788,000)	**230,274,000**	259,640,453	**29,366,453**	
Traffic fines	9,051,000	(500,000)	**8,551,000**	4,658,905	**(3,892,095)**	46.7
Total revenue from non-exchange transactions	**240,113,000**	**(1,288,000)**	**238,825,000**	**284,558,762**	**45,733,762**	
Total revenue	**264,575,000**	**(1,788,000)**	**262,787,000**	**308,431,373**	**45,644,373**	
Expenditure						
Personnel	175,121,242	-	**175,121,242**	(183,695,433)	**(358,816,675)**	
Remuneration of councillors	26,687,000	-	**26,687,000**	(25,890,954)	**(52,577,954)**	
Depreciation and amortisation	113,084,000	-	**113,084,000**	940,000	**(112,144,000)**	
Debt impairment	-	-	**-**	(14,837,826)	**(14,837,826)**	
Finance costs	940,000	-	**940,000**	(2,008,833)	**(2,948,833)**	46.9
Bad debts written off	11,893,000	-	**11,893,000**	(22,604,487)	**(34,497,487)**	
Repairs and maintenance	6,376,000	850,000	**7,226,000**	(5,336,374)	**(12,562,374)**	46.10
Bulk Purchases	9,039,000	(3,000,000)	**6,039,000**	(3,804,310)	**(9,843,310)**	46.11
Grants and subsidies expenditure	-	-	**-**	(9,735,545)	**(9,735,545)**	
Loss on disposal of assets	-	(395,592,602)	**(395,592,602)**	-	**395,592,602**	
General Expenses	55,092,000	(489,640)	**54,602,360**	(94,796,336)	**(149,398,696)**	46.12

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Total expenditure	**398,232,242**	**(398,232,242)**	**-**	**(361,770,098)**	**(361,770,098)**	
Operating deficit	**662,807,242**	**(400,020,242)**	**262,787,000**	**(53,338,725)**	**(316,125,725)**	
Gain on disposal of assets	-	-	**-**	17,656,870	**17,656,870**	46.13
Actuarial gain/loss	1,100,000	(850,000)	**250,000**	2,506,331	**2,256,331**	
	1,100,000	**(850,000)**	**250,000**	**20,163,201**	**19,913,201**	
Deficit before taxation	**663,907,242**	**(400,870,242)**	**263,037,000**	**(33,175,524)**	**(296,212,524)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**663,907,242**	**(400,870,242)**	**263,037,000**	**(33,175,524)**	**(296,212,524)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9,665,000	(9,665,000)	**-**	4,898,141	**4,898,141**	
Receivables from non-exchange transactions	3,540,000	-	**3,540,000**	5,376,736	**1,836,736**	46.14
VAT receivable	11,526,000	-	**11,526,000**	13,966,159	**2,440,159**	46.15
Receivables from exchange transactions	567,000	-	**567,000**	4,663,481	**4,096,481**	
Cash and cash equivalents	23,610,000	-	**23,610,000**	27,681,944	**4,071,944**	46.16
	48,908,000	**(9,665,000)**	**39,243,000**	**56,586,461**	**17,343,461**	
Non-Current Assets						
Investment property	6,973,000	-	**6,973,000**	424,191,305	**417,218,305**	46.17
Property, plant and equipment	901,493,000	3,126,497	**904,619,497**	1,537,238,863	**632,619,366**	
	908,466,000	**3,126,497**	**911,592,497**	**1,961,430,168**	**1,049,837,671**	
Total Assets	**957,374,000**	**(6,538,503)**	**950,835,497**	**2,018,016,629**	**1,067,181,132**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	22,612,498	-	**22,612,498**	70,875,858	**48,263,360**	46.20
Payable from non-exchange transactions	3,549,502	-	**3,549,502**	1,960,274	**(1,589,228)**	46.21
Employee benefit obligation	20,675,000	-	**20,675,000**	1,571,418	**(19,103,582)**	49.26
Unspent conditional grants and receipts	6,870,000	-	**6,870,000**	26,829,081	**19,959,081**	46.23
	53,707,000	**-**	**53,707,000**	**101,236,631**	**47,529,631**	
Non-Current Liabilities						
Employee benefit obligation	9,211,000	-	**9,211,000**	9,691,251	**480,251**	49.30
Total Liabilities	**62,918,000**	**-**	**62,918,000**	**110,927,882**	**48,009,882**	
Net Assets	**894,456,000**	**(6,538,503)**	**887,917,497**	**1,907,088,747**	**1,019,171,250**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	**-**	932,386,160	**932,386,160**	
Accumulated surplus	-	-	**-**	973,945,362	**973,945,362**	
	894,456,000	**(6,538,503)**	**887,917,497**	**757,225**	**(887,160,272)**	
Total Net Assets	**-**	**-**	**-**	**1,906,331,522**	**1,906,331,522**	

Accounting Policies

1.Presentation of Annual Financial Statements

The have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these , are disclosed below.

1.1 Presentation currency

These are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the , management is required to make estimates and assumptions that affect the amounts represented in the and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the . Significant judgements include:

Trade receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.
In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile. The Impairment is calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios will be similar to the historical payment ratios.
In determining the recoverability of receivables from non-exchange and receivables from exchange transactions, the municipality considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believes that there is no further credit provision required in excess of the debtors impairment. On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Fair value estimation

Impairment testing (Cash and non-cash generating units)

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of intangible and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Accounting Policies

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property plant and equipment and other assets

The entity's management determines the estimated useful lives and related depreciation charges of property, plant and equipment. This estimate is based on industry norm. This estimate is based on industry norm. This estimate is based on the pattern in which an assets future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed ..

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	x years

Accounting Policies

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in entity or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in entity or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The entity separately discloses expenditure to repair and maintain investment property in the notes to the (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the (see note).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

After initial recognition, infrastructure, community assets and operational buildings are measured using the revaluation method. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value . When an asset is revalued, any accumulated depreciation at
the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.
Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
The revaluation surplus in equity relating to a specific item infrastructure, community assets and operational buildings is transferred directly to retained earnings when the asset is derecognised.
Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	3-23 Years
Office equipment	Straight line	3-16 Years
Infrastructure		
• Roads and stormwater	Straight line	5-100 Years
Community	Straight line	
• Buildings		15-60 Years
• Recreational Facilities		15-80 Years
• Security		5 Years
• Halls		5-80 Years
• Libraries		7-60 Years
• Parks and Gardens		15-80 Years
• Other Assets		20-30 Years
Other property, plant and equipment	Straight line	
• Buildings		30-60 Years
• Specialised Vehicles		5-10 Years
• Other Vehicles		3-5 Years
• Watercraft		5-15 Years
• Bins and Containers		3-5 Years
• Specialised Plant and Equipment		10-15 Years
• Other items of Property Plant and Equipment		5-23 Years
• Computer Equipment		2-3 Years
• Plant and Machinery		5-31 Years
• Landfill Site		20-50 Years
Finance Lease		
• Motor Vehicles	4-27 Years	
• Office Eqipment	4-27 Years	

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in entity or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in entity or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in entity or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another muinicipality.
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.
A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Accounting Policies

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality’s statement of financial position.
A derivative is a financial instrument or other contract with all three of the following characteristics:
Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
It is settled at a future date.
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. W hen calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms
of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another municipality; or
a contractual right to:
- receive cash or another financial asset from another municiplity; or
- exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.
Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.
Loans payable are financial liabilities, other than short-term payables on normal credit terms.
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.
A residual interest is any contract that manifests an interest in the assets of the municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.
Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.
Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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Financial asset	Classification in terms of GRAP 104
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Financial liability	Classification in terms of GRAP 104
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector , either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.
For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The carrying amount of the asset is reduced through the use of an allowance account and the previously recognised impairment loss is reversed by adjusting the allowance account.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.
The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.
If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.
If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.
On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.
If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.
An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.
A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in entity or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in entity or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

Accounting Policies

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, the selection depends on the availability of data and nature of the impairment:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in entity or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in entity or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in entity or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

The entity recognises the net total of the following amounts in entity or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a entity in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.
A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:
- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipslity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.
Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the municipality 's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.
Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.
Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.
Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.
The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.
The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.
Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in entity or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation entity or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in entity or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in entity or deficit; and
  - an increase in the liability is recognised in entity or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in entity or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to entity or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in entity or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in entity or deficit as a finance cost as it occurs.

Accounting Policies

1.15 Commitments

Items are classified as commitments when the municipality has contractual future capital commitments to future transactions that will normally result in the outflow of cash as well as commitments relating to operating leases.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.
As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. W here a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. W hen a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.
Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.
The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.
The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.
Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.
Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.
Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.
Where settlement discount or reductions in the amount payable are offered , the municipality considers past history in assessing the likelihood of these discount or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Unspent conditional grants

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.
Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.
This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality’s interest, it is recognised as interest earned in the Statement of Financial Performance.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

The budget for the economic entity includes all the entities approved budgets under its control.

The and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Accounting Policies

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its .

1.25 VAT

Value Added Tax on revenue and expenditure transactions are recorded in the books of the municipality on accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis.

1.26 Standards and interpretations issued, but not yet effective

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions
- identifying outstanding balances, including commitments, between an entity and its related parties
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.
Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.
The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.
As a minimum, the following are regarded as related parties of the reporting entity:
The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.
As a minimum, the following are regarded as related parties of the reporting entity

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.
The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.
The entity expects to adopt the standard for the first time in the 2017 financial statements.
It is unlikely that the standard will have a material impact on the entity's financial statements.

Accounting Policies

DIRECTIVE 11:Changes in measurement bases following the initial adoption of Standards of Grap

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.
Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.
The effective date of the standard is for years beginning on or after 01 April 2016.
The entity expects to adopt the standard for the first time in the 2017 financial statements.
It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The entity expects to adopt the standard for the first time in the 2017 financial statements
It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.
The effective date of the standard is not yet set by the Minister of Finance.
The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.
It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.
The effective date of the standard is not yet set by the Minister of Finance.
The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.
It is unlikely that the standard will have a material impact on the entity's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Accounting Policies

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the entity's financial statements.

Figures in Rand	2017 R	2016 R

2. Inventories

Consumable stores	1,494,839	2,230,793
Assets held for distribution	3,403,302	3,403,302
	4,898,141	**5,634,095**

In the current year an amount of R 1,072, 538.83 (2016: R 1,047 122,77) was expensed with respect to consumable stores.

Inventory held for distribution

Assets held for distribution relate to land on which RDP houses are built and are awaiting transfers.
No Inventory was pledged as security.

3. Receivables from exchange

Gross balances		
Refuse	24,263,833	22,654,199
Housing rental	5,602,685	3,881,326
Other receivables	313,630	174,607
	30,180,148	**26,710,132**

Less: Allowance for impairment		
Refuse	(23,898,430)	(21,992,941)
Housing rental	(1,618,237)	(2,924,137)
	(25,516,667)	**(24,917,078)**

Net balance		
Refuse	365,403	661,258
Housing rental	3,984,448	957,189
Other receivables	313,630	174,607
	4,663,481	**1,793,054**

Reconciliation of allowance for impairment		
Balance at beginning of the year	24,917,079	16,886,090
Contributions to allowance	599,588	8,030,988
	25,516,667	**24,917,078**

Refuse		
Current (0 -30 days)	423,068	346,253
31 - 60 days	414,053	344,428
61 - 90 days	387,339	339,624
91 - 120 days	388,289	337,391
121 - 365 days	382,223	318,639
> 365 days	22,268,861	20,967,864
	24,263,833	**22,654,199**

Figures in Rand	2018 R	2017 R

3. Receivables from exchange (continued)

Housing rental		
Current (0 -30 days)	135,142	131,894
31 - 60 days	134,798	137,297
61 - 90 days	132,012	132,894
91 - 120 days	131,912	132,226
121 - 365 days	131,753	131,623
> 365 days	3,997,864	2,878,726
	4,663,481	**3,544,660**

Other (specify)		
> 365 days	313,630	174,607

4. Receivables from non-exchange transactions

Gross balances		
Property Rates	92,834,587	77,295,847
Fines	18,248,868	13,910,543
	111,083,455	**91,206,390**
Less: Allowance for impairment		
Property Rates	(90,293,816)	(72,742,669)
Fines	(17,928,288)	(12,738,693)
	(108,222,104)	**(85,481,362)**
Net balance		
Property rates	2,540,771	4,553,178
Fines	320,580	1,171,850
	2,861,351	**5,725,028**
Rates		
Current (0 -30 days)	1,788,642	1,788,642
31 - 60 days	1,784,718	1,784,718
61 90 days	1,740,970	1,740,970
91 - 120 days	1,714,735	1,714,735
121 days- 150 days	1,650,828	1,650,828
> 150 days	84,154,694	68,615,954
	92,834,587	**77,295,847**

5. VAT receivable

VAT	13,966,159	6,978,448

Figures in Rand	2018 R	2017 R

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2018	2017
Bank balances	352,000	284,575
Short-term deposits	27,329,944	9,922,171
	27,681,944	**10,206,746**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Primary Bank Account-FNB:62237497872	266,729	72,470	(275,133)	352,000	306,560	(210,058)
FNB -MSP 622 402 53188	-	25,068	25,068	-	25,068	25,068
FNB-MIG 622 402 53542	19,214,629	1,604,254	19,409	19,214,629	1,604,254	19,409
FNB-FMG 622 402 52768	288,357	1,162	1,068	288,357	1,162	1,068
FNB-MSIG 622 402 54003	-	-	1,238	-	-	1,238
FNB- T/A Intervention:62240258568	-	23,756	23,756	-	23,756	23,756
FNB-Call Acc 622 402 52198	7,891	357,926	14,524,627	7,891	357,926	14,524,627
FNB-DEAT 622 402 56471	-	225,786	225,786	-	225,786	225,786
FNB-INEG 623 617 7559	197,609	378,242	9,316	197,609	378,242	9,316
FNB-EPWP 623 456 80195	406	1,022	411	406	1,022	411
FNB-EDSMG 623 799 87640	6,869,798	6,904,589	6,904,623	6,869,798	6,904,589	6,904,623
FNB-LGSETA 623 800 69437	362,324	400,366	517,411	362,324	400,366	517,411
FNB-TOA 74737909900	388,929	-	-	388,929	-	-
Total	**27,596,672**	**9,994,641**	**21,977,580**	**27,681,943**	**10,228,731**	**22,042,655**

7. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	418,950,611	-	418,950,611	418,950,611	-	418,950,611

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	418,950,610	418,950,611

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	418,950,610	418,950,611

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Figures in Rand	2018 R	2017 R

7. Investment property (continued)

IThe municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act (Act 6 of 2004), the municipality is required to perform a general valuation once every four (4) years.
The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Land that is sitting as investment properties is not depreciated, only the buildings component of the investment properties is depreciated.

8. Property, plant and equipment

	2017			2017 Restated		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	148,110,438	-	148,110,438	148,110,438	-	148,110,438
Plant and machinery	14,450,077	(5,370,822)	9,079,255	14,447,531	(3,925,766)	10,521,765
Furniture and fixtures	4,827,645	(3,743,834)	1,083,811	4,753,869	(2,942,285)	1,811,584
Motor vehicles	15,012,101	(8,207,463)	6,804,638	15,012,100	(6,396,202)	8,615,898
Office equipment	7,362,547	(5,689,684)	1,672,863	7,463,962	(4,119,990)	3,343,972
Infrastructure	1,881,920,001	(776,906,587)	1,105,013,414	1,929,860,732	(783,060,500)	1,146,800,232
Community	309,242,846	(98,574,368)	210,668,478	267,942,858	(53,892,289)	214,050,569
Other property, plant and equipment	146,419	(97,862)	48,557	153,944	(81,410)	72,534
Work in progress	54,757,409	-	54,757,409	39,993,678	-	39,993,678
Total	**2,435,829,483**	**(898,590,620)**	**1,537,238,863**	**2,427,739,112**	**(854,418,442)**	**1,573,320,670**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	148,110,438	-	-	-	-	-	148,110,43
Plant and machinery	10,521,765	6,950	(2,315)	-	(1,447,145)	-	9,079,25
Furniture and fixtures	1,811,584	77,575	(744)	-	(804,604)	-	1,083,81
Motor vehicles	8,615,898	-	-	-	(1,811,260)	-	6,804,63
Office equipment	3,343,972	97,790	(74,724)	-	(1,694,175)	-	1,672,86
Infrastructure	1,146,800,232	1,660,005	-	-	(41,279,740)	(2,167,083)	1,105,013,41
Community	214,050,569	757,224	-	-	(3,485,345)	(653,970)	210,668,47
Security Measures	72,534	-	(3,460)	-	(20,517)	-	48,55
Work in progress	39,993,678	16,423,736	-	(1,660,005)	-	-	54,757,40
	1,573,320,670	**19,023,280**	**(81,243)**	**(1,660,005)**	**(50,542,786)**	**(2,821,053)**	**1,537,238,86**

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017 restated

Land	148,110,438	-	-	-	-	148,110,438
Plant and machinery	12,959,503	6,569	(997,592)	-	(1,446,716)	10,521,765
Furniture and fixtures	2,315,768	290,804	-	-	(794,988)	1,811,584
Motor vehicles	10,713,455	-	(286,295)	-	(1,811,261)	8,615,898
Office equipment	4,391,700	571,205	-	-	(1,618,933)	3,343,972
Infrastructure	1,144,742,358	47,714,646	-	-	(45,656,772)	1,146,800,232
Community	213,542,264	3,916,228	-	-	(3,407,922)	214,050,569
Security Measures	94,189	-	-	-	(21,654)	72,534
Work in progress	43,584,053	48,040,498	-	(1,630,873)	-	39,993,678
	1,580,453,728	**100,539,950**	**(1,283,887)**	**(1,630,873)**	**(54,758,246)**	**1,573,320,670**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Figures in Rand	2018 R	2017 R

9. Finance lease obligation

Present value of minimum lease payments due		
- within one year	-	94,730

The lease term came to an end during the current year.

10. Payables from exchange transactions

Trade payables	27,249,254	18,745,943
Advance payment - consumer debtors	240,237	365,799
Unallocated deposit	6,246,071	6,093,599
Payroll control	-	461,992
Retention payable	5,176,878	5,703,643
Bonus accrual	7,122,864	6,632,492
Other Creditors	6,376,321	6,376,321
Leave accrual	18,464,233	16,937,859
	70,875,858	**61,317,648**

11. Payables from non-exchange transactions

Payments received in advance - Property rates	1,960,274	2,456,830

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Municipal Infrastructure Grant (MIG)	19,114,144	1,569,086
Municipal Support Programme (MSP)	-	24,946
Intervention	(18)	23,623
Local Government (LGSETA)	362,380	398,416
Municipal Finance Management Grant (FMG)	285,926	-
Department of Minerals and Energy (Electrification)	196,609	372,411
Department of Minerals and Energy (Electricity Demandside Management)	6,870,040	6,870,040
DEAT Investment	-	224,691
	26,829,081	**9,483,213**

Movement during the year

Balance at the beginning of the year	9,483,213	7,658,173
Additions during the year	49,857,320	67,373,600
Income recognition during the year	(32,511,453)	(65,548,560)
	26,829,080	**9,483,213**

The above note presents the nature and extent of government grants recognised in the and an indication of other forms of government assistance from which the entity has directly benefited as well as unfulfilled conditions or other contingencies attached to government assistance that has been recognised.

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment account until utilised.

13. Revaluation reserve

The revaluation reserve is not distributable, given that this is a municipality.

Figures in Rand	2018 R	2017 R

13. Revaluation reserve (continued)

Opening balance	437,070,375	437,070,375

14. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Total
Bonus Provision	652,754	(652,754)	-

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Bonus Provision	-	652,754	652,754

15. Service charges

Refuse removal	4,633,065	4,163,212

16. Rental of facilities and equipment

Premises		
Rental of flats	2,495,065	2,353,155
Hall hire	98,746	106,677
	2,593,811	**2,459,832**

17. Interest on outstanding debtors

	2018	2017
Interest on debtors	7,994,116	6,775,025

18. Income from agency services

	2018	2017
Agency services	3,204,571	3,204,814

19. Other income

Tender Fees	355,696	114,848
Commission Received	16,133	21,053
Building Plans	82,024	52,525
Car wash	2,540	3,309
Building plan fees	80,844	112,758
Clearance certificate fees	185,521	144,051
Rental income	127,255	160,492
Recoveries	37,597	38,476
Licence businesses	52,549	11,111
Building plan fees	26,293	400
Other income 2	6,406	16,588
	972,858	**675,611**

Figures in Rand	2018 R	2017 R

20. Interest received - Investment

Interest revenue		
Bank	3,585,521	3,817,824

21. Municipal - Licences and permits

Licences and permits	920,579	1,093,541

Conditions still to be met - remain liabilities (see note 12)

22. Property rates

Rates charged

Property rates	20,428,559	20,041,273
Less: Rebates	(169,155)	(1,199,143)
	20,259,404	**18,842,130**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Tariffs are applied as follows:

Residential

A general rate of R0.01178 - (2016:R0.01178) is applied to residential property valuations to determine assessment rates. Rebates are granted to all residential property owners.

Business and Commercial

A general rate of R0.01414- (2016: R0.01414) is applied to business and commercial property valuations to determine assessment rates.

Vacant

A general rate of R0.01414 - (2016:R0.01414) is applied to vacant and indutrial property valuations to determine assessment rates.

Public Services

A general rate of R0.00295 - (2016:R0.00295) is applied to vacant and indutrial property valuations to determine assessment
rates.

Small Holdings and Farms

A general rate of R0.00295- (2016: R0.00295) is applied to vacant and indutrial property valuations to determine assessment
rates.

Industrial

A general rate of R0.01414 - (2016:R0.01414) is applied to indutrial property valuations to determine assessment rates.

Rebates

Rebates are granted to property owners in accordance with a variety of social and economic factors as described in the Municipality's Property Rates Policy.

Figures in Rand	2018 R	2017 R

23. Government grants and subsidies

Operating grants		
Equitable Share	227,129,000	221,906,000
DEAT Investment Grant	224,691	-
T/A Intervention	23,641	-
Municipal Support Programme	24,946	-
Finance Management Grant	1,414,074	1,625,000
Extended Public Works Programme	2,316,000	1,000,000
LG SETA	184,356	138,055
	231,316,708	224,669,055
Capital grants		
Municipal Infrastructure Grant (MIG)	23,147,943	58,157,914
Intergrated National Electrifiction Programme (INEP)	5,175,802	4,627,589
	28,323,745	62,785,503
	259,640,453	**287,454,558**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members as well as the operations of the municipality.
All registered indigents receive the following subsidies:
1. For paraffin beneficiaries, every ward has 100 beneficiaries at 20 litre per person bi-monthly
2. For all electricity beneficiaries, 50 KW per month
3. Rebates of R20,000 are granted to residential property owners.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1,569,086	-
Current-year receipts	40,693,000	59,727,000
Conditions met - transferred to revenue	(23,147,943)	(58,157,914)
	19,114,143	**1,569,086**

Municipal Support Programme

Balance unspent at beginning of year	24,946	24,946
Current-year receipts	(24,946)	-
	-	**24,946**

T/A Intervention

Balance unspent at beginning of year	23,623	23,623
Current-year receipts	(23,623)	-
	-	**23,623**

Local government -SETA

Balance unspent at beginning of year	398,415	514,870
Current-year receipts	148,320	21,600
Conditions met - transferred to revenue	(184,356)	(138,055)
	362,379	**398,415**

Department of Energy (EDM)

Balance unspent at beginning of year	6,870,040	6,870,040

Figures in Rand	2018 R	2017 R

23. Government grants and subsidies (continued)

DEAT Investment

Balance unspent at beginning of year	224,691	224,691
Conditions met - transferred to revenue	(224,691)	-
	-	**224,691**

Figures in Rand	2018 R	2017 R

23. Government grants and subsidies (continued)

Finance Management Grant (FMG)

Current-year receipts	1,700,000	1,625,000
Conditions met - transferred to revenue	(1,414,074)	(1,625,000)
	285,926	**-**

Expanded Public Works Programme (EPWP)

Current-year receipts	2,316,000	1,000,000
Conditions met - transferred to revenue	(2,316,000)	(1,000,000)
	-	-

Intergrated National Electrification Programme (INEP)

Balance unspent at beginning of year	372,411	-
Current-year receipts	5,000,000	5,000,000
Conditions met - transferred to revenue	(5,175,802)	(4,627,589)
	196,609	**372,411**

24. Revenue

Service charges	4,633,065	4,163,212
Rental of facilities and equipment	2,593,811	2,459,832
Interest received Outstanding debtors	7,994,116	6,775,025
Agency services	3,204,571	3,204,814
Licences and permits	888,669	920,579
Administration and management fees received	371,829	135,901
Fees earned	82,024	52,525
Commissions received	2,540	3,309
Royalties received	80,844	112,758
Rental income	185,521	144,051
Discount received	127,255	160,492
Recoveries	90,146	49,587
Other income 1	26,293	400
Other income	6,406	16,588
Interest received - investment	3,585,521	3,817,824
Property rates	20,259,404	18,842,130
Government grants & subsidies	259,640,453	287,454,558
Fines, Penalties and Forfeits	4,658,905	329,400
	308,431,373	**328,642,985**

Figures in Rand	2018 R	2017 R

24. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	4,633,065	4,163,212
Rental of facilities and equipment	2,593,811	2,459,832
Interest earned on outstanding debtors	7,994,116	6,775,025
Agency services	3,204,571	3,204,814
Licences and permits	888,669	920,579
Administration and management fees received	371,829	135,901
Fees earned	82,024	52,525
Commissions received	2,540	3,309
Royalties received	80,844	112,758
Rental income	185,521	144,051
Discount received	127,255	160,492
Recoveries	90,146	49,587
Other income 1	26,293	400
Other income	6,406	16,588
Interest received - investment	3,585,521	3,817,824
	23,872,611	**22,016,897**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	20,259,404	18,842,130
Transfer revenue		
Government grants & subsidies	259,640,453	287,454,558
Fines, Penalties and Forfeits	4,658,905	329,400
	284,558,762	**306,626,088**

Figures in Rand	2018 R	2017 R

25. Employee related costs

Basic Salary	123,609,758	114,612,384
Performance Bonus	(11,510)	652,754
Medical aid	8,624,669	8,309,927
Unemployment Insurance Fund	866,371	851,766
Workmens compensation	945,204	993,758
Skills Development Levy	1,652,482	1,463,780
SALGA Levy	49,558	47,177
Leave pay provision charge	4,956,639	6,299,235
Pension fund contribution	21,476,831	19,738,473
Travel, motor car, accommodation, subsistence and other allowances	7,201,147	7,152,515
Overtime payments	318,525	1,480,648
13th Cheques	10,446,886	8,810,443
Acting allowances	326,096	1,442,882
Housing benefits and allowances	126,057	123,172
Holiday Bonus	21,700	-
Other allowances	2,690,383	2,366,838
Cellphone allowances	394,637	532,540
	183,695,433	**174,878,292**

Remuneration of municipal manager - S Tantsi

Annual Remuneration	191,964	772,997
Leave Pay	-	520,919
Backpay	35,549	14,626
Travel Allowance	50,400	152,455
Cellphone Allowance	25,746	68,340
UIF	446	1,487
Contributions to Medical and Pension Funds	51,830	154,346
	355,935	**1,685,170**

Remuneration of Chief Financial Officer - L. Manjingolo

Annual Remuneration	170,293	504,963
Back Pay	7,025	45,820
Performance Bonuses	75,865	95,427
Leave Pay	336,334	-
Contributions to Pension Fund	57,016	181,789
Medical Aid	-	49,915
Cellphone Allowance	4,848	32,011
Re-imbursive Allowance	-	12,028
Subsistence Allowance	-	2,170
UIF	595	1,785
Travel Allowances	27,750	60,000
	679,726	**985,908**

Remuneration of Chief Financial Officer - M Matomane

Annual Remuneration	49,814	-
Travel Allowance	13,810	-
Cellphone Allowance	2,731	-
Contributions to Pension Funds	13,450	-
Medical Aid	3,219	-
UIF	149	-
	83,173	**-**

Figures in Rand	2018 R	2017 R

25. Employee related costs (continued)

Remuneration of Director of Strategic Management - L. Nonyongo

Annual Remuneration	623,149	646,921
Performance Bonuses	130,616	143,760
Travel Allowance	183,057	190,040
Cellphone Allowance	85,215	89,925
Contributions to Pension Fund	92,682	96,218
Medical Aid	54,479	55,098
Subsistence Allowance	-	795
UIF	1,636	1,785
Re-imbursive Allowance	-	4,233
Back Pay	9,071	10,269
	1,179,905	**1,239,044**

Remuneration of the Director of Corporate Services - D. Mrwetyana

Annual Remuneration	623,149	646,920
Performance Bonuses	108,847	123,222
Back Pay	9,071	10,268
Travel Allowance	196,427	203,921
Contributions to Pension Fund	93,472	97,038
Medical Aid	36,296	33,837
Cellphone allowance	92,940	96,485
Re-imbursive Travel	6,434	5,760
Subsistence Allowance	280	880
UIF	1,636	1,785
	1,168,552	**1,220,116**

Remuneration of Director of Infrastructure - K. Clock

Annual Remuneration	547,577	680,048
Performance Bonuses	130,616	133,492
Backpay	9,071	10,269
Travel Allowance	105,091	133,603
Cellphone allowance	58,039	73,786
Pension Fund	137,392	174,669
Medical Aid	-	16,095
Subsistence & Travel	755	1,890
Re-imbursive Travel	9,656	10,933
UIF	1,338	1,785
Leave Pay	242,293	-
	1,241,828	**1,236,570**

Remuneration of the Director of Local Economic Development - V. Madolo

Annual Remuneration	623,149	646,921
Performance Bonuses	87,078	133,492
Backpay	9,071	10,269
Travel Allowance	128,694	133,603
Cellphone allowance	24,164	27,641
Pension Fund	168,250	174,669
Medical Aid	94,325	95,368
Subsistence & Travel	5,201	1,785
Re-imbursive Travel	260	9,533
Uif	1,636	1,785
	1,141,828	**1,235,066**

Figures in Rand	2018 R	2017 R

25. Employee related costs (continued)

Remuneration of the Director of Community Services - Z Plata

Annual Remuneration	508,859	646,921
Leave Pay	324,582	-
Backpay	9,071	10,269
Performance Bonuses	119,732	133,492
Contributions to Pension Funds	137,392	174,668
Cellphone allowance	58,043	73,786
Subsistence Allowance	-	6,007
UIF	1,338	1,785
Travel Allowance	105,091	133,603
Reimbursive Allowance	-	2,134
Medical Aid	38,713	49,216
Other	-	152,862
	1,302,821	**1,384,743**

The remuneration of all salaried employees is within the upper limits of the framework envisaged in section 219 of the Constitution.

Acting Chief Financial Officer - S Marandu

Acting Allowance	13,267	-

Remuneration of Director of Strategic Management - S Benya

Annual Remuneration	52,305	-
Travel Allowance	15,500	-
Cellphone Allowance	2,139	-
Contributions to Pension Funds	10,461	-
Medical Aid	6,770	-
UIF	149	-
	87,324	**-**

Remuneration of the Director of Corporate Services - S Caga

Annual Remuneration	52,305	-
Car Allowance	15,000	-
Back Pay	37,361	-
Contributions to Pension Funds	14,870	-
Cellphone Allowance	5,000	-
Uif	149	-
	124,685	**-**

Remuneration of Director of Infrastructure - Ntile

Annual Remuneration	52,305	-
Car Allowance	11,000	-
Backpay.	29,058	-
Contributions to Pension Funds	14,122	-
Cellphone allowance	6,368	-
Medical Aid	3,380	-
Uif	149	-
	116,382	**-**

Remuneration of the Director of Community Services - M Kibi

Figures in Rand	2018 R	2017 R

25. Employee related costs (continued)

Annual Remuneration	132,008	-
Travel Allowance	41,643	-
Backpay	33,318	-
Contributions to Pension Funds	33,973	-
Cellphone allowance	12,389	-
UIF	446	-
	253,777	**-**

Sub-heading

Remuneration of councillors

Executive mayor	840,313	747,667
Chief whip	681,131	603,753
Mayoral committee members	4,501,038	5,217,260
Other councillors	16,455,253	16,670,756
	22,477,735	**23,239,436**

26. Finance costs

Finance cost-Leases	2,583	45,137
Bank	-	380
Interest on overdue accounts	846,250	40,270
Actuarial interest	1,160,000	889,000
	2,008,833	**974,787**

27. Impairment of assets

Impairments

Other receivables from non-exchange revenue	14,837,826	-

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

28. Bad debts written off

29. Impairment Loss

Heading

Consumer debtors	1	18,632,289
Impairment - Fines	1	4,287,393
	2	**22,919,682**

The debt impairment amount is made up of the following:

Traffic Fines	-	4,287,393
Property Rates	-	15,665,672
Refuse	-	2,757,740
Rentals	-	208,877
	-	**22,919,682**

Figures in Rand	2018 R	2017 R

30. General expenses

Advertising	627,461	1,012,532
Auditors remuneration	3,896,343	3,411,068
Bank charges	439,434	393,875
Cleaning	1,870,325	2,141,654
Computer expenses	1,320	41,546
Bank charges	775,117	809,495
Consumables	1,222,777	3,300,726
Legal fees	6,409,540	11,575,609
Refuse bags	904,782	3,480,880
Civic functions	36,941	5,294
Car licenses and registrations	6,766,476	2,456,320
Hire of equipment	79,778	263,595
Insurance	532,116	508,173
Community development and training	81,412	153,157
Conferences and seminars	23,103	186,198
Community awareness	-	83,930
IT expenses	6,357	-
Workmen's compensation contribution	345	-
Fuel and oil	2,707,702	2,924,244
Petty Cash	-	(18)
Printing and stationery	748,885	1,480,667
Uniform and protective clothing	1,648	1,013,035
Repairs and maintenance	5,336,374	6,401,864
Security	303,745	6,353,987
Post and telecommunications	6,986,208	6,947,731
Electricity	1,692,454	2,318,762
Refuse bags	1,660,690	478,632
Operating project expenditure	5,456,462	12,900,778
Subsistence and travelling	1,525,645	5,248,507
Sundry expenses	368,736	617,720
Operating lease	1,295,520	1,485,200
Civic functions	244,210	1,287,715
Membership fees	21,852	39,075
Tools and Equipment expenses	7,264	8,811
	52,031,022	**79,330,762**

Figures in Rand	2018 R	2017 R

31. Revaluation gain

32. Cash generated from operations

Deficit	(33,175,524)	(33,932,560)
Adjustments for:		
Depreciation and amortisation	52,621,917	103,019,757
Movement in assets	1,074,082	5,085,272
Movements from prior year.	(39,878,723)	-
Impairment loss	14,837,826	-
Bad debts written off	22,604,487	19,251,017
Movements in employee benefit obligation	5,250,703	2,381,000
Movements in provisions	(652,754)	(652,754)
Actuarial Gains/Losses	-	-
Actuarial Gains/Losses	-	(145,827)
Other non-cash items	-	5,804,827
Changes in working capital:		
Inventories	735,953	246,450
Receivables from exchange transactions	9,558,213	807,602
Receivables from exchange transactions	(496,556)	37,266,018
Other receivables from non-exchange transactions	348,293	(2,447,683)
Payables from exchange transactions	9,558,214	807,602
VAT	(6,987,711)	3,884,642
Payables from non-exchange transactions	(496,556)	37,266,018
Unspent conditional grants and receipts	17,345,868	1,825,040
Decrease in revaluation reserve	(18,068,962)	(96,675,422)
	34,178,770	**83,790,999**

33. Grants expenditure

Electrification of Ngcisininde	8,589,048	4,059,288
Operation clean audit	825,719	1,170,897
Training of staff & council	320,778	138,055
	9,735,545	**5,368,240**

34. Gain (loss) on disposal of assets

Gains or losses arising from a change in fair value less point of sale costs	-	237,695

35. Auditors' remuneration

Fees	3,896,343	3,411,068

Figures in Rand	2018 R	2017 R

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital	86,287,684	69,146,297
• Operational	14,410,328	17,037,727
	100,698,012	**86,184,024**
Total capital commitments		
Already contracted for but not provided for	100,698,012	86,184,024

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

37. Related parties

Relationships	
Member	Refer to member's report note
Controlled entities	Refer to note
Joint ventures	Refer to note
Associates	Refer to note
Shareholder with significant influence	Name (Proprietary) Limited
Shareholder with joint control	Name (Proprietary) Limited
Close family member of key management	Name
Joint venture of key management	Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management]
Post employment benefit plan for employees of entity and/or other related parties	Name Share Trust of Entity Name Share Trust of [Related party 1] Name Share Trust of Entity[Related party 1]
Post employment benefit plan for employees of a related party of a close family member of key management	Name Share Trust of [Mr key management]
Members of key management	Name Name

38. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The entity’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity’s financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the . Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity’s operating units. The provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The entity’s risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Receivable from non exchange transactions	5,376,736	5,725,024
Receivables from exchange transactions	4,663,481	1,793,054
Cash and cash equivalents	27,681,944	10,206,746

39. Going concern

We draw attention to the fact that at 30 June 2018, the entity had an accumulated surplus (deficit) of R 963,362,217 and that the entity's total liabilities exceed its assets by R 1,901,848,053.

The have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the member continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in note XX of these will remain in force for so long as it takes to restore the solvency of the entity.

40. Budget differences

Material differences between budget and actual amounts

Statement of Financial Performance

SERVICE CHARGES.

The variance is due to the supplementary valuation and data cleansing that was done by the municipality. The other factor was the increase in VAT implemented during the year.

RENTAL OF FACILITIES AND EQUIPMENT

The municipality anticipated that all tenants occupying the municipal flats will sign lease agreements and start paying the rent on a monthly basis.

INTEREST RECEIVED FROM DEBTORS.

The municipality anticipated that there will be a reduction on the municipality's debt and therefore less interest.

INCOME FROM AGENCY SERVICES

The municipality anticipated that there will be many vehicles to be registered during the financial year in line with the incremental budget approach which is appropriate for budgeting for such revenue items. The budget was based on the 2016/17 actuals..

LICENSE AND PERMITS

The variance is caused by the fact that there was a Network problem at the traffic department that was caused by cables that were stolen by the community, therefore there were no receipts for licences and permits for some months.

OTHER INCOME

The variance is caused by the increase in tender fees income.

INTEREST RECEIVED FROM INVESTMENTS

The variance is due to cash flow problems the municipality is facing as there were no funds kept for interest generation purposes

PROPERTY RATES

The variance is due to the supplementary valuation and data cleansing that was done by the municipality

GOVERNMENT GRANTS AND SUBSIDIES

The municipality anticipated that all grants received for the current year will be spent in full.

TRAFFIC FINES

The Traffic fines revenue has dropped due to the system (TCS) that was not used during the year as the contract expired and has not been renewed. The roadblock trailer was assisting in increasing the fines revenue in the previous years..

BAD DEBTS WRITTEN OFF

The municipality did not plan to have any write-offs done during the year.

REPAIRS AND MAINTENANCE.

In the current year management over budgeted for repairs and maintenance as the municipality did not channel more funds to the purchase of new plant. Due to liquidity problems the municipality had to limit spending on repairs.

Figures in Rand	2018 R	2017 R

40. Budget differences (continued)

GAIN ON DISPOSAL OF ASSETS AND LIABILITIES

The municipality anticipated to have gain when disposing the assets. .

VAT RECEIVABLES

There are returns due that have not yet been paid by SARS.

CASH AND CASH EQUIVALENTS

The municipality anticipated that all grants received for the current year will be spent in full.

PAYABLES FROM NON-EXCHANGE TRANSACTIONS

The municipality received payments in advance from its rates and services consumers. Due to the nature of this balance the municipality does not budget for it since it is an unlikely occurrence that consumers would overpay for services given the collection rates the municipality has experienced over the years..

EMPLOYEE BENEFIT OBLIGATION

The municipality has over budgeted for this item..

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

The municipality planned to spend all the conditional grants as per the Capital and Operating budget of the municipality. The MIG grant could not be spent due to delays on the appointment of service providers.

EMPLOYEE BENEFIT OBLIGATION

The municipality has over budgeted for this item.

41. Unauthorised expenditure

	2018	2017
Opening balance	240,247,990	216,694,962
unauthorised expenditure	-	23,553,028
	240,247,990	**240,247,990**

42. Fruitless and wasteful expenditure

	2018	2017
Opening balance	3,835,449	3,794,799
Incurred in the current year	340,021	40,650
	4,175,470	**3,835,449**

43. Irregular expenditure

	2018	2017
Opening balance	424,054,100	329,768,121
Add: Irregular Expenditure - current year	37,238,880	94,276,979
	461,292,980	**424,045,100**

Figures in Rand	2018 R	2017 R

44. Additional Note

Deviations		
Incurred during the year	1,980,880	2,256,208

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the ..

Figures in Rand	2018 R	2017 R

46. Contingencies

As at 30 June 2018, the municipality had the following contigent assets and contigent liabilities:

Cases against the municipality

Case 1087/08 Langulabantu Construction vs Municipality		
Claim for construction done and not paid. Case pending awaiting trial date from the Register of the High Court (File 14/16/68)	292,920	292,920
Case 1152/07 Atlas Construction vs Municipality		
Claim for services rendered. No further action by the applicant, file closed until further action taken. (File 14/16/76)	238,572	238,572
Case No 744/2012 Thozamile Kenneth Semekazi vs Mnquma Municipality		
Costs of the application made by the applicant. Matter was heard and postponed sine die.	85,000	85,000
Case No. 803/2013- D. Poncana vs Mnquma Municipality		
Suing the Municipality for damages after his car was impounded by traffic Officer Ngalo. Filed Notice on Intention to Defend. Plaintiff's Attorneys are yet to furnish us with the local address for service of further pleadings.	18,000	18,000
Case No. RC 539/2012 Buyile George vs Eskom &Mnquma Local Municipality		
Claim for loss of support on behalf of the minor children of the deceased E.N. Joni and for funeral expenses. Filed Notice of Intention to Defend. Plaintiff's Attorneys are yet to furnish us with local address for service of Pleadings.	240,655	240,655
Case No. 2524/2012 : Bongile Maxam vs Mnquma Municipality		
Suing the Municipality for unlawful arrest, detention and assault by Traffic Officers. The matter was finalized against the Municipality however an Appeal has been launched. Waiting for the date of the Appeal.	250,000	250,000
EC/MTHA/RC/1023/12 N. Mbangeni vs Mnquma Municipality &Others		
Plaintiff's claim is for suffering resulting from unlawful arrest and detention.	300,000	300,000
Case No. 84/12 MC : Siyephu vs Mnquma Municipality & Others		
Claim for damages as a result of assault of assault by Traffic Officers.	100,000	100,000
Case No. 90/13 : Thamsanqa Mcatshulwa vs Mnquma Local Municipality		
Claim against the Municipality for damages to Plaintiff's immovable property.	21,795	21,795
Case no: 329/14 John Okyne vs Mnquma Local Municipality		
Claim against the Municipality for damages. Pleading stage	100,000	100,000
Case no: 1289/12 Khayalethu Buso & Mzuxolile Mbiko vs Minister of Police & Constable Nkukwana		
Case of a Joinder Application joining the Traffic Office Buso on the proceedings.	100,000	100,000
Case No. 10/2015 : Lizo Mkhatshane and Others v Mnquma		
Urgent application by Applicants for an Interdict at Ngqamakwe	150,000	150,000
Case No.PR285/15 : Ntshatsheli Nogcantsi v Mnquma		
This a Review Application before the Labour Court wherein the Applicant seeks the reviewal of the Arbitration Award. Matter was sent on Appeal by the applicant and it was dismissed with costs against the Appellant	-	1,005,453
Case No. 3089/2016 :Albert Max Bluhm v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result as a result of contract termination. Matter has been postponed Sine Die.	3,084,762	-
Case No.3461/15 :Zolile Mshumpela v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention. Matter is still at the Pleading stage.	1,008,000	1,008,000
Case No. RC 451/15:Tembela Van Der Berg v Mnquma		
Plaintiff issued summons claiming for alleged unlawful arrest and detention. Matter is still on trial and it was postponed to a date to be agreed upon by parties.	360,000	360,000
Case No.1406/15 :Geoffery Whittal v Mnquma		
Plaintiff issued combined summons claiming for alleged unlawful arrest and detention. Matter finalised on the 14th February 2017 against the Municipality and still awaiting for the Plaintiff to prove the claim in Court.	1,064,000	1,064,000
Case No. 1042/15 : Sandiso Manxeba v Mnquma Local Municipality		
Claim for damages as a result of potholes (Default Judgment). Attended Court on the 20th March to move an application to stay the Warrant and apply for recession and was granted.	58,216	58,216

Figures in Rand	2018 R	2017 R
46. Contingencies (continued)		
Case No. 4338/16 : Mziwoxolo Mgaguli v Mnquma Local Municipality		
Claim for Damages in respect of the Motor Vehicle that was burnt. Matter still on the Pleading stage.	293,600	-
Case No. 967/2016 : Mgcineni Mcunukelwa v Mnquma Local Municipality.		
Claim against the traffic officials for unlawful impoundment. Matter still on the pleading Stage.	200,000	-
Case No.89/18 Butterworth Mag. Court Vuyani Excellent Dyalo vs MLM and MM		
Suing the municipality for damages after his car was impounded by traffic officer. The matter is still on pleading stage.	150,000	-
Case No 2210/17 Mthatha High Court : Thulani S. Silimela vs MLM and Police		
Suing the Municipality for Unlawful and Wrongful Arrest by Traffic Officer and Police Official. Pending case	600,000	-
Case no. 3602/17 GrahamstownHigh Court matter Soyama Construction CC vs MLM		
Plaintiff suing the Municipality for services rendered and not paid. Pending Case	2,588,889	-
Case No 646/2017 Butterworth Mag : Sam Toyo vs MLM		
Plaintiff is suing the Defendant for damages suffered in a motor collision. Pending Case as it is on pleading stage.	65,000	-
Case No. 4806/2017 Grahamstown High Court Masixole Innocent Magwashu vs MLM		
Plaintiff suing the defendant for arrest without a warrant by Traffic official by the name of Mr Phelelani known as Raule. Pending case as it is still on pleading stage.	300,000	-
Case No.1069/2014 Mthatha High Court : Siva Pillay Construction v Mnquma Local Municipality		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for township roads construction. Still on Pleading Stage.	6,408,085	-
Case No.2390/2017 Mthatha High Court : A One Electric v Mnquma Local Municipality.		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for Rural electrification. Still on Pleading stage.	1,153,297	-
Case No.463/2017 Butterworth Magistrate Court: C.W.Z. Matota and another v Mnquma Local Municipality.		
The Plaintiff is Suing the Municipality for damages suffered as a result of none payment for consulting work. Still on pleading stage.	164,477	-
Case No.5603/2017 Mthatha High Court Eagle Ukhozi Civils (PTY) LTD vs MLM		
	659,531	-
	20,054,799	**5,392,611**

47. Prior period errors

2016 closing balances and 2017 opening balances

Statement of financial position	Previously reported	Adjustment	As restated	Reference
Property, plant and equipment	-	-	-	-
Property, plant and equipment	-	-	-	-

1. This project was completed on 31/03/2016 but was not transferred from the Work in progress register to Infrastructure assets as at 30/06/2016.

2. The access road was therefore incorrectly accounted for as WIP (at R3,436,487.77) at 30/06/2016 and was also not depreciated..

3.Further expenditure of R1,057,143.77 relating to this project was incurred during the 2016/17 financial year and R430,790.99 was still owing as at 30/06/2017.

Figures in Rand	2018 R	2017 R

47. Prior period errors (continued)

4. This project was completed on 23/06/2016 and was correctly transferred from WIP to Infrastructure at R3,388 664
5.No deprecation was calculated for this road for 2015/16 financial year. Amount outstanding to the contractors and professional fees was not raised and capitalised..

6.Accounting for depreciation which was overstated in 2015/2016 by R193,066.94.l

48. Employee benefit obligations

Employee benefit obligation consists of the following:

Bonus accrual	7,122,864	6,632,492
Leave accrual	-	16,937,859
Long service awards	10,677,331	10,970,000
	17,800,195	**34,540,351**

The Muncipality has a defined benefit obligation in terms of the Long Service Awards. The defined benefit obligation is valued every year by independent qualified actuaries. The most recent valuations have been carried out by ARCH Actuarial Consulting:
Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the municipality's policy which complies with the minimum thresholds per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:
- After 5 Continuous Years of Service - 2% of Basic Annual Salary and 5 days accumulative leave
- After 10 Continuous Years of Service - 3% of Basic Annual Salary and 10 days accumulative leave
- After 15 Continuous Years of Service - 4% of Basic Annual Salary and 15 days accumulative leave
- After 20 Continuous Years of Service - 5% of Basic Annual Salary and 15 days accumulative leave
- After 25 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 30 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 35 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 40 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave
- After 45 Continuous Years of Service - 6% of Basic Annual Salary and 15 days accumulative leave

Movement in the employee benefit obligation disclosed in the statement of financial position

Carrying value		
Opening balance	10,970,000	8,589,000
Current service cost - Employee Related Cost	1,639,000	1,438,000
Actuarial interest - Finance Costs	1,160,000	889,000
Benefits paid	(1,097,555)	(363,397)
Actuarial loss or gain	(1,994,114)	417,397
	10,677,331	**10,970,000**

Non-current liabilities	(9,691,251)	(8,171,000)
Current liabilities	(1,571,418)	(2,799,000)
	(11,262,669)	**(10,970,000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	10,970,000	8,589,000
Benefits paid	(1,097,555)	(363,397)
Net expense recognised in the statement of the performance	1,390,224	2,744,397
	11,262,669	**10,970,000**

Figures in Rand	2018 R	2017 R

48. Employee benefit obligations (continued)

The amount recognised in the Statement of Financial Performance

	2018	2017
Current service cost	1,739,000	1,438,000
Interest cost	1,160,000	889,000
Actuarial (gains) losses	1,994,114	417,397
	4,893,114	**2,744,397**

The principal assumptions for the purpose of valuations are as follows:

Assumptions used at the reporting date:

	2018	2017
Discount rates used	8.74 %	8.74 %
Expected increase in salaries	6.09 %	7.18 %

The expected retirement age is 63 years and the SA85-90 mortality table was used..

The basis on which the discount rate has been determined is as follows:

The discount rate has been determined by using the Conventional Bond Rate for each relevant time period and the (yield curve based) inflation linked Bond Rate for each relevant time period.

Withdrawal rates

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16 %	24 %
25-29	12 %	18 %
30-34	10 %	15 %
35-39	8 %	10 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
55-59	1 %	1 %
60+	-	-

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in entity or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2,899,000	2,327,000
Effect on defined benefit obligation	11,262,669	10,970,000

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2015 R
Defined benefit obligation	11,262,669	10,970,000	8,589,000	7,281,000	7,281,000

Supplementary Information

1. Custom Schedule

2. Custom Schedule

3. Custom Schedule

4. Custom Schedule

5. Custom Schedule

* See Note 47